



**HIGHLY  
ENGINEERED  
PRODUCTS**

# ***ESCO TECHNOLOGIES* DEFINED:**

**INCREASING  
SHAREHOLDER  
VALUE**

**MARKET  
LEADERSHIP  
POSITIONS**

**SUSTAINABLE  
COMPETITIVE  
ADVANTAGES**

*2015 ANNUAL REPORT*

# ESCO IS A DIVERSIFIED MANUFACTURER

## DIVERSIFICATION TO LOWER RISK IS A CORE STRATEGY

Our multi-segment strategy continues to provide the resilience to withstand market challenges by maintaining lower risk through diversification of both products and end-markets.

**2015 SALES:**

**\$537.3M**

**FILTRATION/FLUID FLOW:**

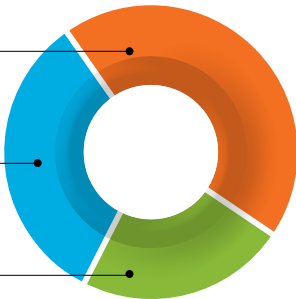
\$236.1M 44%

**RF SHIELDING & TEST:**

\$177.6M 33%

**UTILITY SOLUTIONS:**

\$123.6M 23%



**2015 EBIT:**

**\$85.7M\***

**FILTRATION/FLUID FLOW:**

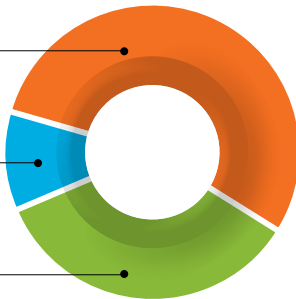
\$46.6M 54%

**RF SHIELDING & TEST:**

\$9.5M 11%

**UTILITY SOLUTIONS:**

\$29.6M 35%



\*Excludes \$23.4 million of Corporate Costs.

## *ESCO TECHNOLOGIES AT A GLANCE*

ESCO Technologies manufactures highly engineered filtration products for the aviation, space and process markets worldwide and is the industry leader in RF shielding and EMC test products. We also provide diagnostic instruments, services and the premier library of statistically significant apparatus test results in support of the electric power grid.

produc

# *OF HIGHLY ENGINEERED PRODUCTS*

### **BUSINESS SEGMENT**

### **OVERVIEW**

#### **FILTRATION/FLUID FLOW**

Our Filtration/Fluid Flow companies provide innovative solutions essential to the aerospace, space, defense and industrial markets. The combined technical capabilities and resources of Crissair, Inc., PTI Technologies Inc. and VACCO Industries enable us to provide highly engineered fluid control solutions for mission critical systems.

**WE HOLD  
MARKET  
LEADING  
POSITIONS**

#### **RF SHIELDING & TEST**

ETS Lindgen Inc. provides a broad and global customer base with highly engineered components, chambers and test and measurement systems that allow customers to perform sophisticated tests to ensure their products operate as intended and don't interfere with other electronic devices while complying with regulatory and industry-defined standards.

#### **UTILITY SOLUTIONS**

Doble Engineering Company is a global market leader in the electric power industry, offering solutions and services to minimize risk, improve operations and optimize electric power infrastructure performance. Doble provides a comprehensive portfolio that includes industry-leading diagnostic equipment, intelligent software, advanced services, comprehensive support and professional training.



ts

# SERVING A NUMBER OF *END MARKETS*,

# markets

## MAJOR BRANDS



**VACCO**

**TEQ**

## PRODUCTS/SERVICES

- Manifolds/Reservoirs
- Filters/Modules
- Valves/Regulators
- Actuators/Indicators
- Micro-Propulsion Systems
- Satellite Components
- Refueling Mechanisms
- Thermoformed Products

## MAJOR END MARKETS

- Aerospace
- Space
- Navy
- Industrial
- Healthcare



- Large Test Chambers/Systems
- Test Enclosures
- Shielded Rooms
- Absorber
- Antennas/Accessories
- EMP/HEMP/IEMI Shielding
- Amplifiers

- Healthcare
- Consumer Electronics
- Wireless
- Automotive
- Aerospace
- Government/Security
- Acoustics

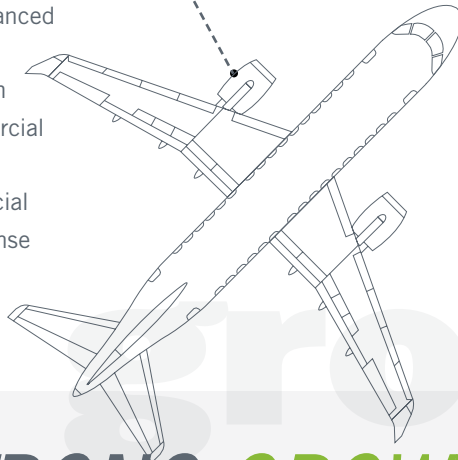


- Asset Diagnostic Testing Equipment & Software
- On-Line Monitoring & Analysis
- Grid Intelligence Applications
- Predictive Failure Assessment
- Knowledgebase Resource Library
- Independent Consulting & Testing Services
- Forensic/Failure Analysis
- Laboratory Services
- Technical Conferences & Training

- Domestic and International Electric Utilities

**NEW PLATFORM WINS IN  
COMMERCIAL AEROSPACE LIFT  
FILTRATION PROSPECTS**

Future growth in the Filtration/Fluid Flow segment has been enhanced through a number of significant new program wins across the commercial and military aerospace, space launch, commercial satellite and Navy defense markets. **See page 7.**



**EXPANDING INTERNATIONAL MARKET OPPORTUNITIES**

Building upon the success of recent large Doble services contract awards in the Middle East, additional international opportunities exist as the demand for utilities to develop or enhance their asset management initiatives grows. **See page 8.**

# WITH STRONG *GROWTH PROSPECTS* AND

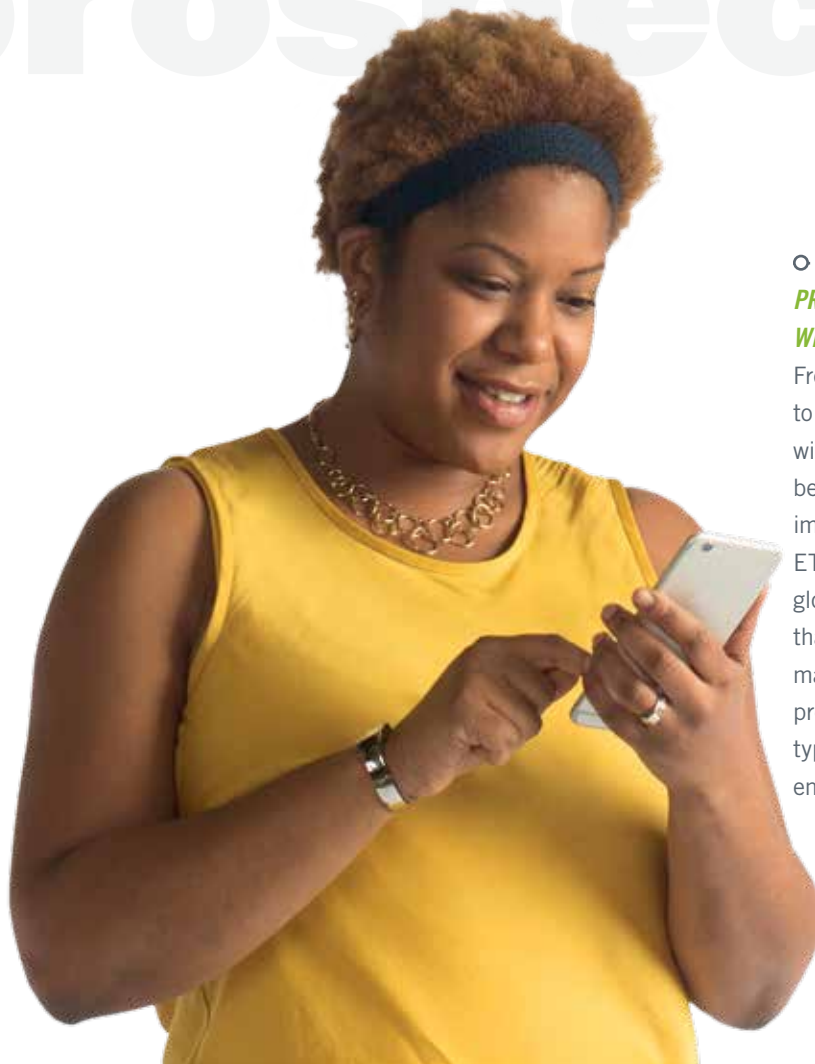
**NEW SOLUTIONS**

With a significant expansion of its product portfolio, Doble is now offering advanced monitoring and testing diagnostic solutions through its asset risk management systems and field force automation solutions.



**PROLIFERATION OF  
WIRELESS DEVICES**

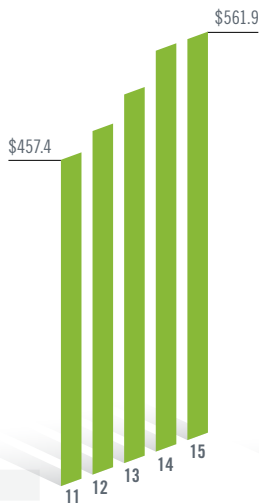
From the Internet of Things to autonomous vehicles, wireless connectivity is becoming increasingly important worldwide. ETS-Lindgren provides global turnkey solutions that allow wireless device manufacturers and service providers to test any type of wireless device to ensure inter-operability.



### ORDERS AND BACKLOG

Backlog has grown approximately 40% over the past 5 years, consistently driven by an annual book-to-bill greater than 1.0. Significant 2015 orders included additional power grid reliability services in the Middle East, commercial aerospace (A-350) platform content, and a large automotive test chamber in China.

NEW ORDERS  
IN MILLIONS



ENDING BACKLOG  
IN MILLIONS



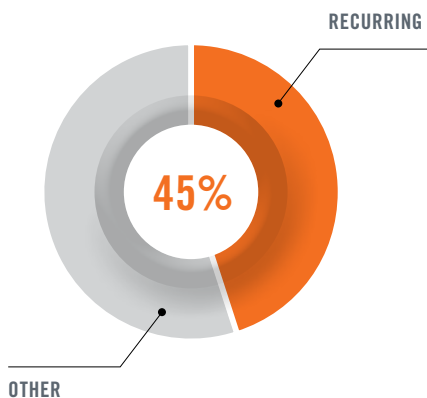
2015  
BOOK-TO-BILL  
RATIO

1.05x

# SUSTAINABLE COMPETITIVE ADVANTAGES,

### RECURRING REVENUES

% OF TOTAL SALES



RECURRING

BY BUSINESS SEGMENT



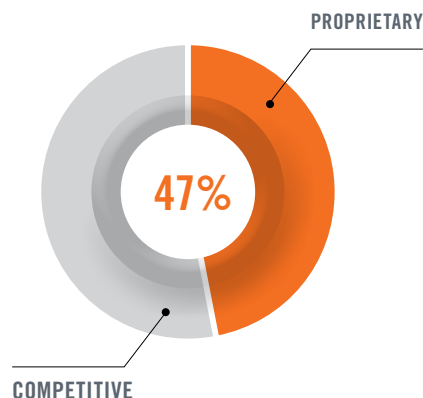
76% FILTRATION/FLUID FLOW

5% RF SHIELDING & TEST

45% UTILITY SOLUTIONS

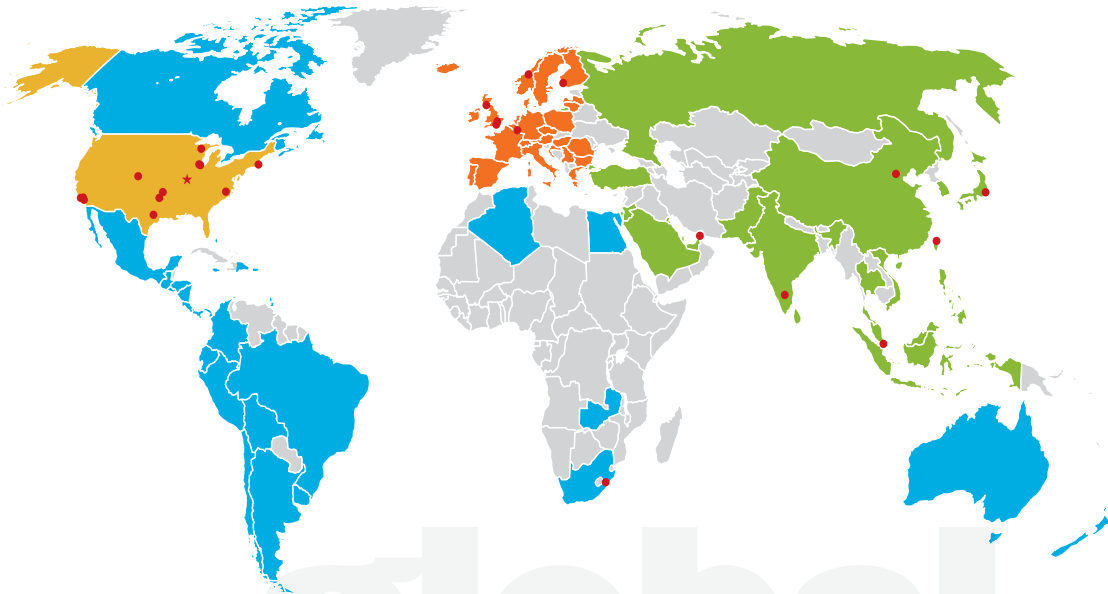
### PROPRIETARY PRODUCTS

% OF TOTAL SALES



PROPRIETARY

The proprietary nature of our highly engineered, technology driven products and services results in sustainable market leading positions across a diverse group of end markets. New platform wins in aerospace and Doble's proven products and services continue to result in significant recurring revenue.



## GLOBAL FOOTPRINT

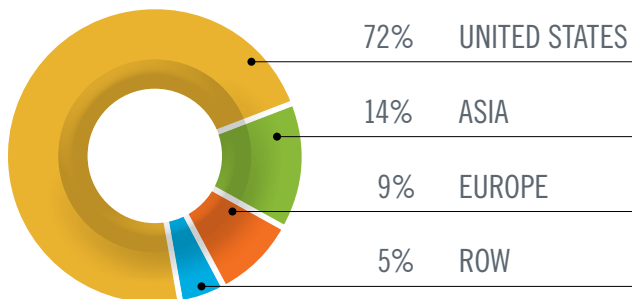
With operations in 27 locations around the world, ESCO serves markets in more than 80 countries on six continents.

● ESCO OPERATIONS

# AN ABILITY TO EXPAND INTERNATIONALLY

## GEOGRAPHIC NET SALES

% OF TOTAL SALES



In 2015, international sales were 28% of total revenue (\$152 million) with significant end-market content in the United Kingdom, Saudi Arabia, China, Japan and South Korea.

# 28%

International sales in 2015

Total revenue from international sales in 2015

# \$152M



**NET SALES**  
IN MILLIONS



**EBIT\***  
IN MILLIONS

\*Excludes Corporate Costs

## AND A HISTORY OF PROFITABLE GROWTH.

### IDENTIFIABLE AND TANGIBLE SOURCES OF FUTURE EBITDA EXPANSION

Defined opportunities exist to expand operating margins across all three business segments.

New platforms in Filtration related to the growth cycle in the global aerospace industry; momentum at Doble in its international markets as well as with new products and services; facility consolidation actions at Test; and, the continued pursuit of strategically significant acquisitions have us well positioned to achieve profitable and sustainable long-term growth.



## LETTER TO SHAREHOLDERS

*BUT  
THAT'S ONLY PART  
OF OUR STORY.*

**DEAR SHAREHOLDERS:** Our corporate strategy is centered on a multi-segment approach designed to enhance the sustainability of sales and earnings growth by mitigating risk through end-market diversification. Since our inception 25 years ago, we have remained focused on generating consistent and predictable growth through the continued innovation of our highly engineered products and solutions, and the expansion of our global footprint. We operate in healthy, diverse and growing end-markets that include the aerospace, space, healthcare, wireless and electric utility industries. Essentially debt free, we continue to pursue selective acquisitions to supplement organic growth. We remain confident that we are well positioned to execute on our clearly defined strategies and to deliver profitable long-term growth.

# LETTER TO SHAREHOLDERS

CONTINUED

## FINANCIAL RESULTS

2015 was a year of solid financial performance despite the softness we experienced in the shielding market within Test. Sales, EBIT and EBIT margins increased in both the Filtration/Fluid Flow and Utility Solutions segments, driven by the current aerospace upcycle and initial production ramp on recent new platform wins, combined with Doble's new product offerings and international growth.

We recently announced several significant and aggressive cost reduction actions in Test intended to meaningfully enhance our ability to achieve our previously stated goals. These specific and sustainable measures were initiated to increase operational efficiency, improve profitability, and increase our returns in 2016 and beyond.

Strong orders and solid cash flow were again a bright spot during 2015, as our ending backlog increased \$25 million, or 8 percent, supporting our current growth outlook. Generating \$65 million in cash from operating activities in 2015, along with minimal debt, supports our ability to pursue acquisitions and return cash to shareholders in support of our stated capital allocation plan.

## BUSINESS SEGMENTS

ESCO is comprised of three business segments — Filtration/Fluid Flow (Filtration), RF Shielding & Test (Test) and Utility Solutions (USG, or Doble). Each segment provides highly engineered products, stable market-leading positions, with a clear focus on generating profitable and sustainable growth.

## FILTRATION/FLUID FLOW

PTI, VACCO and Crissair supply highly engineered fluid control products to the aerospace, space, Navy and industrial markets. TEQ produces custom thermoformed products and packaging materials for high-end medical, retail and electronic applications.

EBIT margins in Filtration increased to 20 percent in 2015 driven by the increase in commercial aerospace sales and the favorable operating leverage resulting from Crissair's facility consolidation in 2014.

In addition to the A350, several other recent contract wins are supporting our future growth. As the new awards move into production, we will be expanding our hydraulic systems, components and valve assemblies delivered on numerous aircraft platforms covering a full range of commercial, regional and business jets. These programs are the result of the industry's need for improved fuel efficiency, appropriate aircraft utilization and overall fleet modernization. As these programs reach full production over the next few years, they will continue to drive revenue and earnings growth.

VACCO achieved several significant developments in 2015 including the delivery of the first of many critical flight components for NASA's Space Launch System (SLS) program. Additionally, they captured new program wins for a next-generation European satellite platform, and the first interplanetary satellite propulsion system supporting the exploration of Mars.

TEQ's performance in 2015 was at a record level and included the cumulative milestone of five billion thermometer probe covers delivered to date defect-free.

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## MANAGEMENT INTERESTS ALIGNED WITH SHAREHOLDERS

From left to right: Alyson S. Barclay, Senior Vice President, Secretary and General Counsel; Victor L. Richey, Chairman, Chief Executive Officer and President; and Gary E. Muenster, Executive Vice President and Chief Financial Officer.



***NEW AEROSPACE PLATFORM WINS  
LIFT FILTRATION PROSPECTS AND VALIDATE OUR STRATEGY***

From multi-component manifolds and complex valves to highly engineered fluid control systems, our products are utilized across the aerospace, space launch, commercial satellite and Navy defense markets. As production increases on new programs, Crissair, PTI and VACCO have solidified their future growth. By continuing to build upon diverse solution-oriented technologies, our Filtration/Fluid Flow segment is fully entrenched with a pioneering footprint in the new wave of industry advancements and is well positioned as an essential component provider well into the future.



*ABOVE INDUSTRY-  
AVERAGE TOP LINE  
GROWTH PROSPECTS IN  
FILTRATION/FLUID FLOW*

**INTERNATIONAL EXPANSION OPPORTUNITIES:  
FOCUSING ON LARGE NATIONAL UTILITIES IN SAUDI ARABIA,  
MEXICO AND SOUTH AFRICA**

National utilities, such as those in Saudi Arabia, Mexico and South Africa, have the immense responsibility of providing reliable electricity to their entire country. Consulting and testing services are gaining momentum with these large-scale organizations as they need to understand the condition of their aging assets, focus maintenance resources where they are needed, plan for strategic spares, and continue to expand their power grids. These customers turn to Doble for its unique offering of diagnostic products, services and technical training. Doble's depth and breadth of expertise allows companies to invest in these practical solutions that impact daily decisions and long-term asset management initiatives.



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*WE ARE COMMITTED  
TO INVESTMENT IN NEW  
PRODUCTS, SERVICES  
AND SOLUTIONS.*  
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# LETTER TO SHAREHOLDERS

CONTINUED

## RF SHIELDING & TEST

Test's products are utilized in a variety of electronic applications to help improve the performance of wireless and other electronic devices, to ensure products meet regulatory standards, and to protect sensitive equipment and data from interference by providing innovative test and measurement products, solutions and shielded enclosures to a diverse group of end-markets worldwide. Approximately 50 percent of Test's 2015 sales were to international customers, primarily in Asia and Europe.

Test was negatively impacted by the overall softness in the global shielding markets and adjustments recorded throughout the year to write-down certain inventories. In response to these challenges, specific restructuring actions were implemented which are intended to create a more efficient, less complex, lower cost operating structure yielding significantly higher margins.

## UTILITY SOLUTIONS GROUP

Doble has been supporting the electric power industry for nearly a century by providing diagnostic instruments, consulting and testing services, and solutions that provide actionable intelligence to help ensure asset health and reliability.

Doble's growth is driven by the introduction of new products, solutions and services, combined with the extension of its geographic reach and the addition of ENOSERV.

Doble recently delivered its first field-force automation program which combines rugged controllers, testing software, cloud-technology, custom engineering and data management processes intended to help customers simplify testing, automate data processes, improve efficiency and streamline business practices from the field to the office.

Supporting the industry's move towards data consolidation, intelligent analytics and condition-based maintenance programs, Doble secured its first contract for its dbleARMS™ asset risk management program in 2015.

Doble also expanded its core product line with the M7100 High Voltage Asset Analyzer which is an industry-changing diagnostic instrument automating a number of complex tests that previously required multiple instruments, thereby allowing companies to reduce safety risk and to complete the required testing in one third of the time.

Doble's industry standard M4100 insulation analyzer was selected by a major transmission company in France as a cornerstone of its transformer fleet maintenance program.

This purchase of test sets and accompanying software is a significant step towards establishing a stronger foothold in the European market.

Doble's consulting and testing services continue to gain momentum in the Middle East, evidenced by the renewal of its transformer asset health review contract with National Grid Saudi Arabia.

As organizations implement asset management initiatives globally, Doble is positioned to provide the training, analytical support and diagnostic products that define a comprehensive asset health and risk assessment program.

## INCREASING SHAREHOLDER VALUE

Our stated goals are to achieve annual sales growth of 10 percent and EPS growth of 15 percent, with 80 percent being organic. The current outlook, supplemented by our defined cost reductions and ongoing share repurchases, provide significant momentum toward achieving our goals.

With the strength of our balance sheet, we have the ability to selectively pursue acquisitions, with the targets ideally offering highly-engineered, technology-driven products and services with strong competitive positions in niche markets.

We remain committed to our capital allocation strategy which includes returning cash to shareholders through dividends and opportunistic share repurchases. In 2015, we returned \$27 million to shareholders, which included repurchasing 520,000 shares of stock.

We are well positioned to deliver meaningful revenue growth and margin expansion through our multi-segment approach which continues to mitigate risk through diversification. We are confident in our ability to execute our strategy and deliver profitable long-term growth.

On behalf of our management team and our Board of Directors, we would like to sincerely thank our shareholders and employees for their continuing support.



**Vic Richey**  
Chairman, Chief Executive  
Officer & President



**Gary Muenster**  
Executive Vice President  
& Chief Financial Officer

November 30, 2015

## FIVE-YEAR FINANCIAL SUMMARY

(Dollars in millions, except per share amounts)	<b>2015</b>	2014	2013	2012	2011
For years ended September 30:					
Net sales	<b>\$537.3</b>	531.1	490.1	478.7	450.8
Net earnings from continuing operations	<b>41.7</b>	42.6	31.3	34.8	37.1
Net (loss) earnings from discontinued operations	<b>0.8</b>	(42.2)	(56.9)	12.1	15.4
Net earnings (loss)	<b>42.5</b>	0.4	(25.6)	46.9	52.5
Earnings (loss) per share:					
Basic:					
Continuing operations	<b>\$ 1.60</b>	1.61	1.18	1.30	1.39
Discontinued operations	<b>.03</b>	(1.60)	(2.15)	0.46	0.58
Net earnings (loss)	<b>\$ 1.63</b>	0.01	(0.97)	1.76	1.97
Diluted:					
Continuing operations	<b>\$ 1.59</b>	1.60	1.17	1.29	1.38
Discontinued operations	<b>.03</b>	(1.58)	(2.13)	0.44	0.57
Net earnings (loss)	<b>\$ 1.62</b>	0.02	(0.96)	1.73	1.95
As of September 30:					
Working capital	<b>155.0</b>	148.9	163.6	139.2	122.5
Total assets	<b>864.2</b>	845.9	1,092.3	1,033.8	1,011.8
Total debt	<b>50.0</b>	40.0	172.0	115.0	125.0
Shareholders' equity	<b>584.2</b>	580.2	601.7	631.3	600.7
Cash dividends declared per common share	<b>\$ 0.32</b>	0.32	0.32	0.32	0.32

See Note 2 to the Consolidated Financial Statements for discussion of divestiture activity.

*ESCO TECHNOLOGIES, INC.*

**fiscal year**

*2015 FORM 10-K*

**2015**





## SHAREHOLDERS' SUMMARY

### SHAREHOLDERS' ANNUAL MEETING

The Annual Meeting of Shareholders of ESCO Technologies Inc. will be held at 10:30 a.m. Central Time on Thursday, February 4, 2016, at ETS Lindgren Inc., 1301 Arrow Point Drive, Cedar Park, TX 78613. You may access this Annual Report as well as the Notice of the meeting and the Proxy Statement on the Company's Annual Meeting website at [www.envisionreports.com/ese](http://www.envisionreports.com/ese).

### CERTIFICATIONS

Pursuant to New York Stock Exchange (NYSE) requirements, the Company submitted to the NYSE the annual certifications by the Company's chief executive officer dated February 11, 2015 and March 11, 2014, that he was not aware of any violations by the Company of NYSE's corporate governance listing standards. In addition, the Company filed with the Securities and Exchange Commission the certifications by the Company's chief executive officer and chief financial officer required under Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to the Company's Forms 10-K for its fiscal years ended September 30, 2015 and September 30, 2014.

### 10-K REPORT

The Company's 2015 Annual Report on Form 10-K as filed with the Securities and Exchange Commission is included in this Annual Report to Shareholders. The Form 10-K is also available on the Company's website at [www.escotechnologies.com](http://www.escotechnologies.com), or a copy will be provided to shareholders without charge upon written request to Kate Lowrey, Director of Investor Relations, ESCO Technologies Inc., 9900A Clayton Road, St. Louis, MO 63124.

### INVESTOR RELATIONS

Additional investor-related information may be obtained by contacting the Director of Investor Relations at (314) 213-7277 or toll free at (888) 622-3726. Information is also available through the Company's website at [www.escotechnologies.com](http://www.escotechnologies.com) or via e-mail to [klowrey@escotechnologies.com](mailto:klowrey@escotechnologies.com).

### TRANSFER AGENT AND REGISTRAR

Shareholder inquiries concerning lost certificates, transfer of shares or address changes should be directed to:

Computershare  
Shareholder Services  
P.O. Box 30170  
College Station, TX 77842-3170  
(800) 368-5948  
[www.computershare.com/investor](http://www.computershare.com/investor)

### CAPITAL STOCK INFORMATION

ESCO Technologies Inc. common stock shares (symbol ESE) are listed on the New York Stock Exchange. There were approximately 1,915 holders of record of shares of common stock at November 2, 2015.

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP  
10 South Broadway, Suite 900  
St. Louis, MO 63102

## MANAGEMENT AND BOARD OF DIRECTORS

### EXECUTIVE OFFICERS

**Victor L. Richey**  
Chairman,  
Chief Executive Officer  
& President

**Gary E. Muenster**  
Executive Vice President  
& Chief Financial Officer

**Alyson S. Barclay**  
Senior Vice President,  
Secretary & General  
Counsel

### CORPORATE STAFF

**Deborah J. Boniske**  
Vice President  
Human Resources

**Richard A. Garretson**  
Vice President  
Tax

**Michele A. Marren**  
Vice President &  
Corporate Controller

**Mark S. Dunger**  
Vice President Planning  
& Development

**Charles J. Kretschmer**  
Vice President

**David M. Schatz**  
Vice President  
& Intellectual  
Property Counsel

### OPERATING EXECUTIVES

**Mike Alfred**  
President  
Crissair, Inc.

**Sam R. Chapetta**  
Filtration Group Vice  
President & President  
PTI Technologies Inc.

**Randall K. Loga**  
President  
Thermoform Engineered  
Quality LLC

**Bruce E. Butler**  
President  
ETS-Lindgren LP

**Antonio E. Gonzalez**  
President  
VACCO Industries

**David B. Zabetakis**  
President  
Doble Engineering Company

### BOARD OF DIRECTORS

**Vinod M. Khilnani**<sup>2</sup>  
Retired Executive  
Chairman  
CTS Corporation

**Robert J. Phillippy**<sup>2</sup>  
President &  
Chief Executive Officer  
Newport Corp.

**James M. Stolze**<sup>2,3</sup>  
Retired Vice President &  
Chief Financial Officer  
Stereotaxis, Inc.

**Gary E. Muenster**  
Executive Vice President  
& Chief Financial Officer

**Victor L. Richey**<sup>1</sup>  
Chairman, Chief Executive  
Officer & President

**Donald C. Trauscht**<sup>1,2,3,4</sup>  
(Lead Director)  
Chairman  
BW Capital Corp.

**Leon J. Olivier**<sup>4</sup>  
EVP of Enterprise  
Energy Strategy &  
Business Development  
Northeast Utilities

**Larry W. Solley**<sup>3,4</sup>  
Retired Executive  
Vice President  
Emerson Electric Co.

<sup>1</sup> Executive Committee

<sup>2</sup> Audit and Finance Committee

<sup>3</sup> Human Resources and Compensation Committee

<sup>4</sup> Nominating and Corporate Governance Committee



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